

**THE HON WAYNE SWAN MP**

**Treasurer**

**SENATOR THE HON NICK SHERRY**

**Assistant Treasurer**



## **TERMS OF REFERENCE FOR PRODUCTIVITY COMMISSION REPORT ON THE IMPACTS AND BENEFITS OF COAG REFORMS**

The Treasurer, Wayne Swan, and the Assistant Treasurer, Senator Nick Sherry, today released the terms of reference for the Productivity Commission report on the impacts and benefits of Council of Australian Government (COAG) reforms.

This announcement follows COAG's agreement that the Productivity Commission would report to COAG every two to three years, on the impacts and benefits of the COAG reform agenda.

These reports will assist the COAG Reform Council in its role of helping to enhance accountability and promote reform, and monitoring the progress of COAG's reform agenda.

The terms of reference announced today, provide direction to the Productivity Commission in undertaking the framework report and future assessments.

The framework report will outline the Productivity Commission's proposed analytical frameworks for assessing the impacts and benefits of reform, to be drawn on in its future reports.

The Productivity Commission is expected to provide the framework report to COAG by 31 December 2010.

At the commencement of each reporting cycle for full reports, the Assistant Treasurer, in consultation with the State and Territories, may provide further direction concerning particular reporting priorities to be addressed.

The first full report on the impacts and benefits of COAG's reform agenda will be provided to COAG by 31 December 2011.

The terms of reference are attached and further information is available at [www.pc.gov.au](http://www.pc.gov.au).

CANBERRA

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## TERMS OF REFERENCE

### PRODUCTIVITY COMMISSION REPORTING ON THE IMPACTS AND BENEFITS OF COAG REFORMS

#### *Purpose of the study*

The Council of Australian Governments (COAG) is committed to addressing the challenges of boosting productivity, increasing workforce participation and mobility and delivering better services for the community. This reform agenda will also contribute to the goals of improving social inclusion, closing the gap on Indigenous disadvantage and improving environmental sustainability.

At its March 2008 meeting, COAG agreed that, to assist the COAG Reform Council in its role of helping to enhance accountability and promote reform, and monitoring the progress of the COAG reform agenda, the Productivity Commission (the Commission) would be requested to report to COAG on the economic impacts and benefits of COAG's agreed reform agenda every two to three years. In doing so, the Commission should be guided by COAG reform objectives and goals identified in the *Intergovernmental Agreement on Federal Financial Relations*, COAG communiqués and related documents, particularly as they relate to addressing the challenges stated above.

The reporting will cover, as appropriate, the realised and prospective economic impacts and benefits of the different reform streams, including regulation, infrastructure and human capital issues of workforce productivity and participation. Each report to COAG will give priority to informing governments of the nature of reform impacts and benefits and the time scale over which benefits are likely to accrue, given COAG's reform framework and implementation plans. Where information about specific reform impacts or initiatives is limited, the Commission's reporting would produce broad or 'outer envelope' estimates of the potential benefits and costs of reform.

The reporting program should enable governments to have up-to-date information with which to evaluate what has been achieved through the reform agenda and provide an assessment of potential future gains.

#### *Scope of reports*

Each report should cover reform developments, impacts and benefits in each COAG reform area. At the commencement of each reporting cycle, the Assistant Treasurer will provide directions concerning particular reporting priorities to be addressed within this broad framework. Without limiting the scope of matters to be considered, determination of reporting priorities could take into account:

- the fiscal impact of reform on each level of government;
- the availability of new material on COAG's reform agenda or implementation plans;
- the implementation of a significant body of reform over a sufficient period to enable a meaningful review of the likely impacts and benefits of that reform; or
- any emerging concern about the potential impacts or benefits of a reform.

The Commission's reports to COAG should provide information on:

- the economic impacts and benefits of reform and outcome objectives, including estimates of the economy-wide, regional and distributional effects of change; and
- assessments, where practicable, of whether Australia's reform potential is being achieved and the opportunities for improvement.

The analysis should recognise the different nature of sectoral productivity-based and human capital reforms and the likely time paths over which benefits are likely to accrue.

In preparation for its inaugural full report, the Commission should also provide a 'framework' report to COAG outlining its proposed approach to reporting on the impacts and benefits of COAG's reform agenda.

### *Methodology*

The Commission will develop and maintain analytical frameworks appropriate for the quantification of the impacts and benefits of reform, and the provision to government and the community of assessments of the economy-wide, regional and distributional effects of COAG's reform agenda. The frameworks should be transparent, and subject to independent assessment. As far as practicable, the frameworks should be made available for wider use.

The Commission should provide an explanation of the methodology and assumptions used in its analysis. The Commission should also provide guidance concerning the sensitivity of results to the assumptions used and bring to COAG's attention informational limitations and weaknesses in approaches to reform evaluation. The scope for improvement should be identified.

### *Consultation and timing*

In the course of preparing each report, the Commission should consult the COAG Reform Council, relevant Ministerial Councils, any relevant COAG working groups, Commonwealth Ministers, State and Territory Treasurers and more widely, as appropriate. While these consultations would inform the Commission's assessment, responsibility for the final report would rest with the Productivity Commission.

The Commission's framework report should be submitted to COAG by 31 December 2010. The Commission will then complete full reports at 2-3 year intervals dated from 1 January 2009, in accordance with directions for individual reports from the Assistant Treasurer. Final reports will be submitted by the Productivity Commission to the Assistant Treasurer for conveyance to COAG. The Assistant Treasurer will advise the Commission of the timing for individual reports. The reports will be published.